

**MOUNT VERNON SCHOOL DISTRICT No. 320**  
**Skagit County, Washington**  
**September 1, 1991 Through August 31, 1992**

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**Schedule Of Findings**

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1. Federal Reimbursement Requests Should Be Limited To Cash Needed

In December 1992, the district had \$6,544 in federal research grant funds that should be returned to the Department of Education.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C (b) (7) states:

... When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements ...

The district exceeded its cash requirement through a number of errors in late 1989 and early 1990. These errors included duplication of reimbursement requests, exclusion of expenditures from the Cash Status Report which were used to calculate reimbursement requests, and double reporting of expenditures on the Cash Status Report. Review of the Cash Status Reports from mid-1990 through November 1992 indicate no additional errors. The net amount of these errors is \$22,140. Of this amount, \$15,687 is held by the Department of Education in-lieu-of the final, August 1992, reimbursement request. This leaves an outstanding balance of \$6,544.

The outstanding balance of \$6,544 might be reducible by \$2,014 which represents fiscal year 1990 expenses which were not claimed or reimbursed.

As a result of these aforementioned errors, the district periodically had in its possession excess federal cash. Due to the reimbursement basis of this grant in fiscal years 1989-90, 1990-91, and 1991-92, excess cash was actually in the district's possession infrequently.

We recommend that the district remit \$6,544 to the Department of Education. This amount may be net of \$2,014 for unreported expenditures and any administrative allowance if approved by the Department of Education.

2. Federal Reports Should Be Prepared Timely.

In conjunction with our review of the Department of Education Research Grant, it was noted that two out of four Cash Status Reports applicable to the 1991-92 fiscal year were not submitted in a timely fashion.

The instructions accompanying the Cash Status Report require submission of the report within 45 days after the end of the quarter.

One of the late reports was due to the report being sent by the Department of Education

to Washington Elementary School during the summer when the school was closed. The report was submitted shortly after staff returned for the school year in August 1992.

The second exception is related to the final report due November 13, 1992, for the period July 1 1992, to September 30, 1992. This report has been held up as the district was unable to reconcile the final balance. The final balance showed the district had received too much funding despite the fact that the district had not yet submitted the last reimbursement request for fiscal year 1992. (See Finding 1.)

Potentially, late reporting could effect the school district's receipt of funding.

We recommend that the district submit the final Cash Status Report and submit all reports in a timely manner in the future.

3. Payroll Charges To Federal Programs Should Comply With Federal Regulations

In conjunction with our tests of the Department of Education Research Grant identified in the Schedule of Federal Financial Assistance, we noted inadequate time and effort documentation. For one of the employees, time and effort documentation was located but the documentation did not appear adequate to support the percentages charged to the grant. No time and effort records were located for the second employee.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, Attachment B. 10. b. states:

Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records.

The cause of noncompliance appears to be attributable to the processing of the grant outside the normal system of controls for federal time and effort purposes.

In the absence of a system that meets the federal requirements, salary, and benefits charged to federal programs cannot be supported by after-the-fact documentation of time actually spent on activities allowable for federal programs. This lack of adequate documentation could result in payroll costs being charged to federal programs which varies from resources that were actually dedicated to that program.

The absence of authenticated time and effort reports has resulted in questioned costs of \$85,105.71 for all salary and benefits charged to the federal research program for fiscal year 1992.

We recommend that the district maintain time and effort records which support the time actually worked by employees on all federal grants